

**FULL COMMITTEE MARKUP OF
VIEWS AND ESTIMATES ON THE
SMALL BUSINESS ADMINISTRATION'S
PROPOSED BUDGET FOR FY 2008**

**COMMITTEE ON SMALL BUSINESS
UNITED STATES HOUSE OF
REPRESENTATIVES**

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FULL COMMITTEE MARKUP OF THE VIEWS AND ESTIMATES ON THE SMALL BUSINESS ADMINISTRATION'S PROPOSED BUDGET FOR FY 2008

Wednesday, February 28, 2007

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:00 a.m., in Room 2360, Rayburn House Office Building, Hon. Nydia Velázquez [chairman of the Committee] presiding.

Present: Representatives Velázquez, Jefferson, Shuler, González, Larsen, Grijalva, Lipinski, Moore, Altmire, Ellsworth, Johnson, Sestak, Chabot, Bartlett, Akin, Westmoreland, Heller, Fallin, Buchanan and Jordan.

OPENING STATEMENT OF CHAIRWOMAN VELÁZQUEZ

Chairwoman VELÁZQUEZ. The Committee is called to order.

Today, the Committee fulfills its responsibility under the Budget Act with our consideration of the views and estimates for the SBA fiscal year 2008 budget. The views before us today make it clear that the administration's request is simply not the right priorities for the future of our small businesses.

The budget simply does not do enough to help our businesses face the challenges of the 21st century. The proposed funding continues the six-year decline in federal small business programs. SBA expenditures have now been cut nearly in half in those six years. As such, this represents the lowest percentage of federal discretionary spending on small business programs in decades.

We have heard over and over again that you cannot measure the agency's success purely by its funding, yet it is not coincidence that these cuts have occurred at the same time that we have seen a number of mishaps at the SBA. Loans intended to ease the 9/11 tragedy have gone to the wrong businesses. Small business contracts are being awarded to some of the world's largest corporations. Allegations of fraud in the agency's lending programs, and the debacle that was Katrina, still continues.

At a time when entrepreneurs are facing historically high health care and energy costs, and unprecedented competition from overseas, it would seem appropriate to invest in programs designed to assist small businesses. However, 17 out of 26 core programs in the SBA are being cut, flat funded, or terminated by the President's budget. No one program receives any significant increase.

Small business development centers, women's business centers, and SCORE are all flat funded, while being directed to provide additional services. Under this budget, the women's business center program will have seven centers eliminated, though it served the fastest-growing sector in our economy.

The administration also proposes elimination of the funding for the microloan initiative and its technical assistance programs, which provides small loans to low-income communities. These attacks on the program are despite the fact that the microloan program has had only two defaults in 10 years, yet the cuts could cost a small borrower \$4,000 over the life of the loan and reduce demand.

The budget provides nothing to reduce the cost of the 7(a) loan guarantee program for small business borrowers. This comes at a time when the number of participating lenders is declining, and the average loan size has fallen by about 40 percent in four years. It also fails to provide funds to reopen the agency's venture capital program. This will leave many entrepreneurs without the resources to grow and expand their businesses.

I believe that Administrator Preston wants to run a helpful agency and to be candid and straightforward in working with Congress. I know each one of us aims to help SBA do better, but rebuilding takes more than good intentions and hard work. It also takes faith and some investment in the future of our small businesses.

We can start that process today by adopting these views and estimates and recommending a budget that charts a course towards accountability and recovery for our small business program.

I look forward to working with my colleagues on the Committee and the administration to see to it that the SBA has the resources it needs to assist our future entrepreneurs.

And now I will recognize the Ranking Minority, Mr. Chabot, for his opening statement.

OPENING STATEMENT OF MR. CHABOT

Mr. CHABOT. Thank you, Madam Chair. Thank you. I'd like to thank Chairwoman Velázquez for holding this markup today on the Committee's views and estimates of the President's proposed budget for the Small Business Administration.

While I am in agreement with the Chairwoman on aspects of the majority's views and estimates document, I will be filing separate views in the next day or so. One of the most important things we can do as a Committee is to ensure that the SBA has the tools it needs to fulfill its mission to help small businesses—the backbone of our nation's economic prosperity and recovery.

I believe the President's budget request proposes realistic funding levels and would strengthen budget authority levels for most SBA programs. The budget request proposes to cut fees, hire more procurement center representatives to help more small businesses obtain federal contracts, and increases services to veterans.

However, as I said at our budget hearing, not everything in the SBA's budget request is perfect. For example, I believe that many of the entrepreneurial development programs at the SBA should have received at least an inflationary increase. If the SBA can receive more than an inflationary increase to pay for higher staff sal-

ary costs and rent, I believe that small business development centers and women's business development centers deserve similar increases, because they face identical pressures. Furthermore, I support additional increases in the number of personnel allocated to the function of procurement center representative.

Beginning with tomorrow's hearing on increasing access to capital for our nation's small businesses, this Committee will begin taking the first steps towards reauthorizing the SBA and its programs—a process that hasn't been completed since 2002. It is important that the SBA and its programs be thoroughly reviewed and evaluated to improve what is working and to fix what isn't.

I look forward to beginning the reauthorization process and yield back the balance of my time.

Chairwoman VELÁZQUEZ. Thank you, Mr. Chabot.

Does any other member wish to be recognized on the views and estimates? Ms. Moore is recognized for five minutes.

OPENING STATEMENT OF MS. MOORE

Ms. MOORE. Thank you so much, Madam Chair and the Ranking Member, for your very sage comments. I was very pleased—very pleased to associate myself with the response of you, Madam Chairwoman, to the Budget Committee. I think that this document really lays out with a great deal of clarity some of the problems with the SBA loan programs.

I think it is probably a very worthy goal of SBA to try the zero subsidy program and have the programs pay for themselves. But what we have seen is that our economic engine in this country—everybody agrees that 90 percent plus of our businesses—our small businesses—they simply cannot thrive without—even as the Ranking Member has said, without an inflationary increase at a minimum.

Our biggest program—the 7(a) loan program—we have seen the fees passed on to both borrowers and lenders, substantially increasing, as you've pointed out, the cost of these programs to borrowers. And, of course, lenders don't have any incentive to work in these programs.

Some of our other programs that are very popular with non-profit, and so forth, again, with the zero-based subsidy there is a huge disincentive for intermediaries to get involved with these loan products. And the consolidation into the S&E lines of some of the programs that serve many minority programs is very troubling as well.

I think that we can't have it both ways. My Mom would say you can't talk out of both sides of your mouth. You can't say on one hand that you want to help small businesses, and then basically cut all of the resources that you would have.

I think that there are many programs in the United States, in the Federal Government, that we can fund, but this is an investment in SBA. It is an investment that will—that with the multiplier effect will be seen by the growth in job development that we create.

Thank you. I yield back.

Chairwoman VELÁZQUEZ. Thank you. Does any other member wish to be recognized on the views and estimates?

[No response.]

Seeing no other members wishing to be recognized, we will now move that the Committee adopt the views and estimates. All those in favor say aye.

All those, say no.

In the opinion of the chair, the ayes have it.

Mr. CHABOT. Madam Chair?

Chairwoman VELÁZQUEZ. Yes.

Mr. CHABOT. I ask for a recorded vote.

Chairwoman VELÁZQUEZ. A recorded vote is requested. The Clerk shall call the roll.

The CLERK. Ms. Velázquez.

Chairwoman VELÁZQUEZ. Aye.

The CLERK. Ms. Velázquez votes aye.

Mrs. Millender-McDonald.

[No response.]

Mr. Jefferson.

[No response.]

Mr. Shuler.

Mr. SHULER. Aye.

The CLERK. Mr. González.

Mr. GONZÁLEZ. Aye.

The CLERK. Mr. Larsen.

[No response.]

Mr. Grijalva.

Mr. GRIJALVA. Aye.

The CLERK. Mr. Michaud.

[No response.]

Ms. Bean.

[No response.]

Mr. Cuellar.

[No response.]

Mr. Lipinski.

[No response.]

Ms. Moore.

Ms. MOORE. Yes.

The CLERK. Mr. Altmire.

Mr. ALTMIRE. Aye.

The CLERK. Mr. Braley.

[No response.]

Ms. Clarke.

[No response.]

Mr. Ellsworth.

Mr. ELLSWORTH. Yes.

The CLERK. Mr. Johnson.

[No response.]

And Mr. Sestak.

Mr. SESTAK. Yes.

The CLERK. Mr. Chabot.

Mr. CHABOT. No.

The CLERK. Mr. Bartlett.

[No response.]

Mr. Graves.

[No response.]

Mr. Akin.

[No response.]

Mr. Shuster.

[No response.]

Ms. Musgrave.

[No response.]

Mr. King.

[No response.]

Mr. Fortenberry.

[No response.]

Mr. Westmoreland.

[No response.]

Mr. Gohmert.

[No response.]

Mr. Heller.

[No response.]

Mr. Davis.

[No response.]

Ms. Fallin.

Ms. FALLIN. No.

The CLERK. Mr. Buchanan.

[No response.]

Mr. Jordan.

Mr. JORDAN. No.

Chairwoman VELÁZQUEZ. Any other member who wishes to cast their vote or change their vote?

Mr. AKIN. How am I recorded?

The CLERK. Mr. Akin, your vote?

Mr. AKIN. Is no.

Mr. ORBAN. Mr. Westmoreland is here now, too.

The CLERK. Mr. Akin votes no.

Mr. Westmoreland.

Mr. WESTMORELAND. No.

Mr. ORBAN. Roscoe Bartlett is also here.

The CLERK. Mr. Bartlett.

Mr. BARTLETT. No.

The CLERK. Mr. Bartlett votes no.

Mr. ORBAN. Mr. Heller is also here.

The CLERK. Mr. Lipinski.

Mr. LIPINSKI. Aye.

The CLERK. Mr. Johnson.

Mr. JOHNSON. Aye.

The CLERK. Mr. Johnson votes aye.

Mr. ORBAN. Mr. Heller.

Mr. HELLER. No.

The CLERK. Mr. Heller votes no.

Chairwoman VELÁZQUEZ. Any other members who wish to cast their vote or change their vote?

[No response.]

If not, the Clerk will report.

The CLERK. Madam Chair, the total ayes are 10, with total—or 12, with total 6—

Mr. ORBAN. Madam Chair, could I ask how Mr. Buchanan is recorded?

The. CLERK. Mr. Buchanan had not voted. Mr. Buchanan.

Mr. BUCHANAN. No.

The. CLERK. Mr. Buchanan votes no.

Mr. Larsen.

Mr. LARSEN. Yes.

The. CLERK. Mr. Larsen votes yes.

Chairwoman VELÁZQUEZ. Any other members wish to be recorded or change their vote?

[No response.]

If not, please, the Clerk will report.

The. CLERK. Madam Chair, the ayes 13, the nays 7.

Chairwoman VELÁZQUEZ. Well, the Committee agrees to the views, and should be submitted to the budget. I recognize Mr. Chabot for the purpose of a motion.

Mr. CHABOT. Thank you, Madam Chair. We will be offering a separate view in the next day or so.

Chairwoman VELÁZQUEZ. Thank you. Well, let the record reflect that this meeting is now adjourned. Thank you.

[Whereupon, at 10:19 a.m., the Committee was adjourned.]

NYDIA M. VELAZQUEZ, NEW YORK
CHAIRPERSON

STEVE CHABOT, OHIO

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2501 Rayburn House Office Building
Washington, DC 20515-6015

STATEMENT
of the
Honorable Nydia M. Velázquez, Chair
Committee on Small Business
Full Committee Markup Budget Views and Estimates
Wednesday, February 28th, 2007

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The views before us today make it clear that the administration's request is simply not the right priorities for the future of our small businesses. The budget simply does not do enough to help our businesses face the challenges of the 21st century.

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We have heard over and over again that you can't measure the agency's success purely by its funding. Yet it is no coincidence that these cuts have occurred at the same time that we have seen a number of mishaps at the SBA.

- Loans intended to ease the 9/11 tragedy have gone to the wrong businesses --
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U.S. House of Representatives

SMALL BUSINESS COMMITTEE

February 28, 2007

Representative Steve Chabot, Republican Leader

Opening Statement of Ranking Member Steve Chabot*Markup of FY 2008 Budget Views and Estimates*

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